



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

29 May 2020

International Ethics Standards Board for Accountants (IESBA)
529 Fifth Avenue,
New York, NY 10017,
United States of America.

Submitted via website: www.ethicsboard.org

Dear Sir/Madam,

PROPOSED REVISIONS TO THE NON- ASSURANCE PROVISIONS OF THE CODE

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the **Proposed Revisions to the Non- Assurance Provisions of the Code.**

Our comments are herein the attached.

We hope you will find our comments helpful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a large circular flourish at the end.

CPA Charles Lutimba
MANAGER, STANDARDS AND TECHNICAL SUPPORT

Appendix: Comments to the proposed revisions to the Non- Assurance Provisions of the Code

EK/...

**APPENDIX: ICPAU'S COMMENTS ON THE IESBAEXPOSURE DRAFT- PROPOSED REVISIONS TO
THE NON- ASSURANCE PROVISIONS OF THE CODE**

ICPAU'S COMMENTS

Prohibition on Non- Assurance Services that will create a Self- review Threat for Public Interest Entities

Question 1: Do you support the proposal to establish a self- review threat prohibition in proposed paragraph R600.14?

Comment:

Whereas ICPAU supports the proposal to establish a self- review threat prohibition in the proposed paragraph R600.14, we draw our attention to provisions under paragraph 601.2 A3. The said paragraph includes providing technical assistance on matters such as resolving account reconciliation problems and providing technical advice on accounting issues, including the conversion of existing financial statements from one financial reporting framework to another as examples of accounting and bookkeeping services. In reality a number of Small and Medium Practices (SMPs) usually perform such services during an audit engagement. We would think that the IESBA may need to emphasize as done under paragraph 601.2 A2 that such services do not usually create threats as long as the client accepts responsibility for making the decisions involved in the preparation of accounting records or financial statements and the firm does not assume a management responsibility.

Question 2: Does the proposed application material in 600.11 A2 set out clearly the thought process to be undertaken when considering whether the provision of a non- assurance service to an audit client will create a self- review threat? If not, what other factors should be considered?

Comment:

ICPAU believes that the proposed application material in 600.11 A2 sets out the thought process to be undertaken when considering whether the provision of a non-assurance service to an audit client will create a self- review threat. We however, believe that the inclusion of the phrase 'whether there is a risk that' is likely to be variously interpreted by the users of the Code and as thus may result into unintended application of the criteria by different users. As such we recommend that the phrase 'there is a risk that' as it appears under paragraph 600.11 A2 be dropped.

In addition, our interpretation of the application criteria as set out under paragraph 600.11 A2 is that in identifying whether the provision of a non-assurance service to an audit client will create a self-review threat or not, the user of the Code will need to satisfy all the three items

listed under paragraph 600.11 A2 for a threat to be considered prevalent or not. We believe this is the intention of the IESBA.

Providing Advice and Recommendations

Question 3: Is the proposed application material relating to providing advice and recommendations in proposed 600.12 A1, including with respect to tax advisory and tax planning in proposed paragraph 604.12 A2, sufficiently clear and appropriate, or is additional application material needed?

Comment:

ICPAU believes that the proposed application material relating to providing advice and recommendations in the proposed 600.12 A1 and 604.12 A2 is not sufficiently clear and appropriate if read in conjunction with the extant paragraph 600.7 A4 which is to the effect that providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility. We believe a self-review threat should result where a firm tends to assume a management responsibility. There is thus need for the IESBA to provide situations when a self-review threat maybe considered to exist and when it may not in circumstances when a firm provides advice and recommendations. Otherwise the current paragraph 600.12 A1 may be interpreted to imply a total forbearance of firms giving advice and recommendations to their audit client.

Project on Definitions of Listed Entity and Public Interest Entity

Question 4: Having regard to the material in Section I, D, "Project on Definitions of Listed Entity and PIE," and the planned scope and approach set out in the approved project proposal, please share your views about what you believe the IESBA should consider in undertaking its project to review the definition of a PIE.

Comment:

In the project to review the definition of a PIE, ICPAU believes that the IESBA should consider an array of attributes that encompass the users of the financial statements on which a firm expresses an opinion. This we raise from belief that PIE differ from jurisdiction to jurisdiction dependent of a number of factors including but not limited to the nature and size of the economy. We thus believe that with a more principles based definition each jurisdiction will be allowed to scale the definition to match their set up.

Materiality

Question 5: Do you support the IESBA's proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs (see Section III, B "Materiality")?

Comment:

ICPAU supports the proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs.

Question 6: Do you support the proposal to prohibit the following NAS for all audit clients, irrespective of materiality:

- Tax planning and tax advisory services provided to an audit client when the effectiveness of tax advice is dependent on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R604.13)?
- Corporate finance services provided to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R610.6)?

Comment:

ICPAU supports the provisions in the proposed paragraphs R604.13 and R610.6.

Communication with TCWG

Question 7: Do you support the proposals for improved firm communication with TCWG (see proposed paragraphs R600.18 to 600.19 A1), including the requirement to obtain concurrence with TCWG for the provision of a NAS to an audit client that is a PIE (see propose paragraph R600. 19)?

Comment:

ICPAU supports the proposals for improved firm communication with TCWG including the requirement to obtain concurrence with TCWG for the provision of a NAS to an audit client that is a PIE.

Other Proposed Revisions to General NAS Provisions

Question 8: Do you support the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900?

Comment:

ICPAU supports the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900.

Question 9: Do you support the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client to a requirement (see proposed paragraph R600. 10)? Is the related application material in paragraph 600. 10 A1 helpful to implement the new requirement?

Comment:

ICPAU supports the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client and believes that the related application material in paragraph 600.10 A1 is helpful to implement the new requirement.

Proposed Revisions to Subsections

Question 10: Do you support the proposed revisions to subsections 601 to 610, including:

- The concluding paragraph relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1?
- The withdrawal of the exemption in extant paragraph R601.7 that permits firms and network firms to provide accounting and bookkeeping services for divisions and related entities of a PIE if certain conditions are met?
- The prohibition on the provision of a tax service or recommending a tax transaction if the service or transaction relates to marketing, planning or opining in favor of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?
- The new provisions relating to acting as a witness in subsection 607, including the new prohibition relating to acting as an expert witness in proposed paragraph R607.6?

Comment:

ICPAU supports the proposed revisions to subsections 601 to 610 with the below comments:

In relation to accounting and bookkeeping services (601.2 A3) we believe that the IESBA may consider dropping from the list the item concerning providing technical advice on accounting issues... as part of the items that may create a self-review threat as this may result into the danger of misconstruing any form of discussions between the audit client and the firm during the process to be part of giving technical advice. Otherwise more elaboration may be expected to exclude from the purview of this paragraph any discussions that may ensue between the audit client and the firm during an audit process.

Proposed Consequential Amendments

Question 11: Do you support the proposed consequential amendments to Section 950?

Comment:

ICPAU supports the proposed consequential amendments to Section 950.

Question 12: Are there any other sections of the Code that warrant a conforming change as a result of the NAS project?

Comment:

ICPAU does not have any specific comment for now.